

98-84360-13

Covert, James Way

Sound finance, a safe
currency

Washington

1892

98-84360-13

MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

332.41	
Z	Covert, James W
v.22	Sound finance, a safe currency; speech... in the House of representatives, March, 22, 1892. Washington, 1892 [Gov't Printing Office] 1892 7 p. 23 cm. Vol. of pamphlets.

Only 22

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries

TECHNICAL MICROFORM DATA

FILM SIZE: 35mmREDUCTION RATIO: 11:1IMAGE PLACEMENT: IA ☒ IIA ☐ IB ☐ IIBDATE FILMED: 3-5-98INITIALS: BSTRACKING #: 31607

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.



132.41
2
11-2

No. 15

STANDARD

SOUND FINANCE—A SAFE CURRENCY.

SPEECH

OF

HON. JAMES W. COVERT,

OF NEW YORK,

IN THE

HOUSE OF REPRESENTATIVES

MARCH 22, 1892.



WASHINGTON.

1892.

SPEECH
OF
HON. JAMES W. COVERT.

The House having under consideration the bill (H. R. 4436) for the free coinage of gold and silver, for the issue of coin notes, and for other purposes—

Mr. COVERT said:

Mr. SPEAKER: At the very outset of this part of this discussion, and speaking for a Northern constituency, as thoughtful and intelligent as they are devoted and loyal to their principles, I want to deny for them and on my own behalf that this bill for the free coinage of silver is a Democratic measure. It is in no sense a party measure, but it is in every sense a sectional one.

It is a local question absolutely and entirely. From the South and the extreme West we find gentlemen on this floor who earnestly advocate this bill as a supposed measure of relief to the people of their sections. From the North and East are Representatives who, without regard to party lines or party differences, stand unalterably opposed to its enactment. This question, then, being local in its character, has no place in the platform of either of the two great parties which fight for supremacy upon the nation's battlefield.

No man lives to-day in this Republic who does not give ready approval to the declaration that "government's long established should not be changed for light or transient causes." And so, too, principles and policies which help to form government and which tend to make it stable and secure, should not be lightly abrogated or altered; the more especially when they are founded upon right, and have stood the test of years of successful practice.

A safe and sound system of finance is one of the strongest pillars in every governmental structure. If economic science teaches anything, it carries with it the lesson that no government can create money out of anything which it may choose to call money. The lessons of the past teach us and sound finance imperatively demands that every government should simply stamp upon each coin that comes from its mints its real and true value.

The bill under discussion makes provision that the unit of value in the United States shall be two units: one the gold dollar worth 100 cents, and the other the standard silver dollar worth only 70 cents; and that this standard gold and silver coin shall be received in the United States in payment of all debts, both public and private. Here, then, we are to have two separate dollars, one intrinsically worth 30 cents more than the other, with the option to any person indebted to another to discharge his debt in the cheaper coin.

A further section of the bill provides for the retirement of gold

and silver certificates and the issue in their places of a "coin note," presumably payable in gold or silver coin, at the option of the Government.

Should this bill become a law, all existing Government paper would be changed into paper which may be paid in silver, leaving no paper which must be paid in gold. I respectfully suggest that in view of the peculiar language of this part of the bill, something more than the sharp echo of the hated word "reputation" may be found in its phraseology.

The bill goes further and provides that the Government shall take into its vaults all bullion offered and issue its notes for it, not at existing market rates, but at the coinage value fixed in the bill.

I submit, Mr. Speaker, that the theory and practice proposed here are alike wrong. The idea of attempting to bolster up the varying value of the product of silver by Federal legislation has been proven to be most erroneous by the saddest of practical experience.

The act of 1890 directing the purchase of silver bullion, and for other purposes, provided that the Treasury should purchase from time to time silver bullion to the aggregate amount of not exceeding 4,500,000 ounces each month at market rates, and should issue in payment for such bullion Treasury notes of the United States, which should be redeemable in coin, and should be a legal tender for the payment of all debts, taxes, and customs duties. The advocates of silver coinage urged this bill as a measure of relief, and it was passed with the mistaken hope on the part of its opponents that it would act as a compromise of the vexed "silver question."

The prophecy was made then that with a steady and reliable customer, and that customer the Government of the United States, buying regularly each month from the producers a fixed quantity of their product, the market value of silver would steadily increase.

What have been the results? The law has been in operation a year and a half, and during that time the Government has been taking out of the market quantities of silver approaching the whole output of the American mines; and yet, singular to state, the price of silver bullion is now very near to the lowest point it has ever attained.

All the conditions favored the increase in value of the product through this exceptional and hazardous piece of governmental policy. The Government, month after month, was a regular purchaser, and a buyer which did not put its purchase again upon the market for resale, but stored it away in its vaults. More than \$400,000,000 worth of silver now lies idle in the Treasury building, and yet the market price of the metal is almost at its lowest ebb.

In view of these facts, I submit that there is one isolated provision of the pending bill that ought in all justice to become a law. I refer to section 5 of the act, which provides: "That the act of July 14, 1890, hereinbefore cited, be, and the same is hereby, repealed."

And yet we are asked to go still further in lending Government aid to enhance the value of this product. The men who

cov

produce wheat in Minnesota or cotton in Alabama or tobacco in Virginia have as good right for governmental intervention in behalf of their home industries as have the silver-miners of this country, whoever they may be and however potential they are.

The doors of the Treasury of the United States should be closed at once and forever as entrances to a market place to enhance the value of any one product of the country, and producers in all directions should be left to themselves and to their own efforts to find markets for their products.

Among the practical lessons taught us by economic science is this: That all classes of the people, whoever they may be, rich or poor, employer or employé, are alike benefited by a sound system of finance—a safe and stable currency.

I hazard nothing in saying that by far the greater number of people in this country are wage-earners. Where two kinds of money circulate their interest lies in receiving the best kind of money in circulation. A large proportion of wage-earners are wage-savers. They put their surplus earnings in savings banks, secured by bond and mortgage, or invest them themselves on small mortgage securities. It certainly can not be to their interest to have these earnings thus invested paid back to them in a depreciated money.

I have heard no well-founded claim thus far during this discussion that the passage of this bill would enhance wages; but it has occurred to thoughtful minds that the talk of "cheap money" would tend perhaps to induce dealers, and the retail dealers more especially, who trade in the necessities of life, to increase the prices of these necessities, and thus add to the living expenses of the wage-earner.

We hear very much said of the "debtor class" in this connection, and it is this class, presumably, that is expected to be benefited by the passage of this measure. Possibly it may be of benefit to the man who has received some other man's sound money on a mortgage, pledging his property as security for its repayment, and who may make this repayment in a cheaper variety of money—that is, if he can raise enough of this cheap money to discharge the mortgage before the speedy repeal of this law, if it shall ever become law.

But to do this he may have to get a loan for the whole or part of the amount somewhere else, and he may find it difficult to do this with the impaired credit which will follow as one of the results of the enactment of this measure into law. For behind the direct security pledged by the mortgagor—behind the tangible security pledged at any time by the debtor to the creditor—is the security of the borrower's integrity; his honor; his intention to pay back his loan in as good money as that in which he received it. And here, it occurs to me, comes the greatest injury that can be inflicted by the making this bill the law of the land. It would impair the confidence of business men in the integrity of the people with whom they deal and who might take advantage of its provisions.

Carefully compiled statistics show that about 92 per cent of the whole trade of the country is carried on by means of credit, leaving only 8 per cent of it transacted with actual money. Capital

cov

is proverbially cautious; let there be an intimation even of an authorized change in the value of money, and at once the whole business world is vitally affected, and an immediate limitation of credit is the direct and inevitable result. All business operations suffer by it, stringency, embarrassment, and bankruptcy follow in its train, and employer and employé, creditor and debtor alike suffer from the shock that the withholding of customary credit has inflicted.

Credit is fostered and encouraged by a safe system of finance, a stable and secure currency. It is ruined and destroyed by a haphazard financial policy, a debased currency.

We are not without instances in the world's history to prove the absolute verity of this assertion. The history of the rise and fall of the English land bank, so far back as 1693, of John Law's glittering scheme for the establishment of a French national bank on the basis of all the actual property of the State, of the Rhode Island paper bank, and more recently of the experiences of the Argentine Republic in an attempt to increase the prosperity of its people by making money cheap and plentiful; all these are instances going to show the evils that follow thick and fast the attempt to fasten unsound systems of finance in the governmental policies of nations.

All experience has shown that the gold standard is the only safe and reliable one to be established. The potential nations of the earth have adopted that as the true standard of value, and this nation of ours, vigorous, prosperous, and ambitious in all right directions, should take no second place in this regard. I have not the time, Mr. Speaker, to go into detail, but I may say generally that all European countries have been and are now trying to escape from silver for the reason that it has become irregular in value.

These nations would welcome with joy the passage of this bill, because they could and would make this country the market for the metal they desire to be rid of. Great Britain holds not one single dollar of silver in reserve. Every dollar of her reserves is in that best and most stable of all metals—gold. She holds her proud place to-day among the nations of the earth largely because of her jealously guarded financial policy. She realizes that the only absolute freedom from possible financial danger is to issue only such money as is itself has all the value the Government has stamped upon it.

As an instance of this scrupulous regard for the national honor in this particular, she has recently provided for the expenditure of \$2,000,000 for the recoining of pieces of her gold which had lost a few points of their value by use.

Shall this Republic be less scrupulous than England in the vital matter of national honor?

Let there be no misunderstanding upon the question as to the value of silver in the open market. The quantity of silver in the standard dollar can be bought for about 70 cents. When the Government of the United States stamps upon it the words "one dollar," it debases itself by stamping a lie upon a debased metal.

I say to the advocates of this silver bill that they mistake the character of the American people if they think that a majority

COV

of them favor the passage of a measure involving such humiliating conditions as this. The people of this land are quite content that silver should play its appropriate part in our volume of currency, but while thus content they believe it should play no more than its proper part. They believe in honest money and they believe that 70 cents' worth of silver is a dishonest dollar.

Let an international conference be invited, let an international agreement be reached for the proper reinstatement of silver; if you will, but meanwhile the honor, the integrity, the patriotism of this Republic calls for the defeat of this free-coinage measure.

The protest against this attempted legislation comes not from one political party alone, nor does it come from any one special class of our people. The gentleman from California (Mr. Bowditch) has just referred to a class of presumably reputable business men as "the bandits of Wall street." Wall street extends only from Trinity Church, on Broadway, to the East River. It does not cover the whole North and the entire East, and it is not alone in its protest against this bill. A determined and united opposition comes to it from the whole people of the East and North alike—from all classes and grades of society; alike from the merchant who believes in honest money in return for honest goods, and from the laborer who believes in a sound dollar for a hard day's work.

Meanwhile, let the soul of our patriotic American citizen be troubled. This attempt to have this measure become law will be abortive. It is simply a strained and painful modern comedy with the old title, "Much ado about nothing." Let the play proceed; let the comedy continue. The bill may pass this House, it may pass the Senate, but it will meet its death at once thereafter. It will not receive the Executive approval, and its friends know that it will not be approved. Being simply a sectional question, it will find no place in the national platform of any political party. The silver madness of March will be cured by the golden sunshine of June. The honor of the Republic will be saved and her standing among the nations of the earth be again assured. [Applause.]

COV

31607

END OF
TITLE